



DEFENSE FINANCE AND ACCOUNTING SERVICE  
ARLINGTON

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MAR 28 2005

DFAS-DOP

MEMORANDUM FOR DIRECTOR, CONTINUING GOVERNMENT ACTIVITY,  
DEFENSE FINANCE AND ACCOUNTING SERVICE  
(DFAS-PDO/CL)

SUBJECT: Interim Change to the Department of Defense Financial Management Regulation  
(DoDFMR), Volume 7, Part B, Regarding December 2004 Cost-of-Living-  
Adjustment (DFAS Item N-57)

The attached is Interim Change **R03-05** to the DoDFMR, Volume 7B, to implement the  
military retired pay cost-of-living adjustment. This change is effective December 1, 2004.

We have evaluated your comments on the proposed change and included your comments  
where appropriate. Assignment of the interim change number is your authority to initiate  
procedural modification to implement this change. Use the attached to initiate the formal change  
to the DoDFMR, Volume 7B.

Lydia Moschkin  
Director, Policy and  
Requirements Management

Attachments:  
As stated:

cc:  
DFAS-DGM/CL  
DUSD(MPP)(Comp)  
DUSD(C)(OCDFO)(FP)  
ODGC(F)  
Service Liaisons  
USCG/NOAA/PHS Liaisons

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## 1. Revise Table 7-1 as follows:

SERVICE REVERT – RATES OF ENTITLEMENT UPON REVERSION TO RETIRED LIST (10 U.S.C. 1402) (WITH AT LEAST 2 YEARS OF ACTIVE SERVICE AFTER RECALL)						
R U L E	A	B and the current active duty rate is	C then revert to active duty rate	D and entitlement at time of recomputation is (note 4)	E increased by COLADJ applicable at time of recom- putation (note 8)	F and apply later COLADJ per table 7-3 rule (notes 5 & 9)
81	Dec 1, 00 -Dec 31, 00				2.0 + 3.5	42 through end
82	Jan 1, 01 -Nov 30, 01	Jan 1, 01	Jan 1, 00	Jan 1, 00	2.8 (Note 10)	
83	Dec 1, 01 - Dec 31, 01				2.8 +2.6	43 through end
84	Jan 1, 02 – Nov 30, 02	Jan 1, 02	Jan 1, 01	Jan 1, 01	2.0 (Note 11)	
85	Dec 1, 02 – Dec 31, 02				2.0 + 1.4	44 through end
86	Jan 1, 03 – Nov 30, 03	Jan 1, 03	Jan 1, 02	Jan 1, 02	1.4	
87	Dec 1, 03 – Dec 31, 03				1.4 + 2.1	45 through end
88	Jan 1, 04 – Nov 30, 04	Jan 1, 04	Jan 1, 03	Jan 1, 03	1.7	
89	Dec 1, 04 --Dec 31, 04				1.7 + 2.7	
90	Jan 1, 05	Jan 1, 05	Jan 1, 04	Jan 1, 04	2.7	

2. Revise Table 7-2 to add/change the following:

DISABILITY REVERT – RATES OF ENTITLEMENT UPON REVERSION TO RETIRED LIST (10 U.S.C. 1402) (WITH DISABILITY OF AT LEAST 30 PERCENT AFTER RECALL)						
R U L E	A If date of release from active duty is during	B and the current active duty rate is	C then revert to active duty rate	D and entitlement at time of recomputation is (note 4)	E increased by COLADJ applicable at time of recomputation (notes 6, and 7)	F and apply later COLADJ per table 7-3 rule (notes 6, 7)
77	Jan 1, 99 – Nov 30, 99	Jan 1, 99	Jan 1, 99	Jan 1, 99		2.0
78	Dec 1, 99 – Dec 31, 99				2.0	
79	Jan 1, 00 – Nov 30, 00	Jan 1, 00 (Note 8)	Jan 1, 00	Jan 1, 00		2.8
80	Dec 1, 00 – Dec 31, 00				2.8 (Note 9)	
81	Jan 1, 01 – Nov 30, 01	Jan 1, 01	Jan 1, 01	Jan 1, 01		2.0
82	Dec 1, 01 –Dec 31, 01				2.0 (Note 10)	
83	Jan 1, 02 – Nov 30, 02	Jan 1, 02	Jan 1, 02	Jan 1, 02		1.4
84	Dec 1, 02 – Dec 31, 02				1.4	
85	Jan 1, 03 – Nov 30, 03	Jan 1, 03	Jan 1, 03	Jan 1, 03		1.7
86	Dec 1, 03 – Dec 31, 03				1.7	
87	Jan 1, 04 – Nov 30, 04	Jan 1, 04	Jan 1, 04	Jan 1, 03		2.7
88	Dec 1, 04 – Dec 31, 04				2.7	

## 3. Update Table 7-3 in Volume 7B, Cost of-Living Adjustment Percentage Table, to show the following addition after no. 44:

43	Dec 1, 02 (Note 2)	1.4 post September 7, 1980 member
44	Dec 1, 03 (Note 2)	2.1 post September 7, 1980 member
45	Dec 1, 04 (Note 2)	2.7 post September 7, 1980 member

**4. Add new subparagraph 080498 as follows:**

080498. A cost-of-living adjustment (COLA) effective December 1, 2004:

A. Retired pay COLA for those who first became a member of a Uniformed Service before September 8, 1980, is specified according to the effective date of the active duty basic pay rate used to compute their retired pay as follows:

<u>Retired Pay Based on Rates of Pay Effective</u>	<u>Percent Increase</u>	<u>10 U.S.C. Authority</u>
Before January 1, 2004	2.7 percent	1401a(b)(2)
January 1, 2004	2.7 percent	1401a(c)

B. Retired pay COLA for those who first became a member of a Uniformed Service on or after September 8, 1980, is specified according to the effective date of their retirement as follows:

<u>Retirement Effective:</u>	<u>Percent Increase</u>	<u>10 U.S.C. Authority</u>
Before January 1, 2004	2.7 percent	1401a(b)(2)
Jan 1, 2004 – Mar 31, 2004	2.7 percent	1401a(d)
Apr 1, 2004 – Jun 30, 2004	1.8 percent	1401a(d)
Jul 1, 2004 – Sep 30, 2004	0.3 percent	1401a(d)
Oct 1, 2004 – Dec 31, 2004	0.0 percent	1401a(d)

**5. Add new subparagraph 080499 as follows:**

080499. Public Law 108-375, October 28, 2004, and Executive Order 13368 effective January 1, 2005, provide:

A. Increased basic pay rates.

B. No increase for members retired before January 1, 2005.

C. No entitlement to pay computed on the January 1, 2005, basic pay rates for members who retired on January 1, 2004, and who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2004 transfers)."

**6. Revise Table 49-1, Survivor Benefit Plan Threshold Amount in Volume 7B, to show the following change/addition after rule 34:**

R U L E	A	B	C
	If retired pay is based on active duty pay rates effective	And increased by COLADJ	then the threshold is
35	January 1, 2003, -- 2.1		\$572.00
		December 1, 2003 Pre-September 8, 1980 Member January 1, 2003 - 1.7%	\$581.72
		Post September 8, 1980	
		Retired January – March 2003 1.7%	581.72
		Retired April – June 2003 .7%	576.00
		Retired July - September 2003 .4%	574.29
		Retired October – December 2003 0%	572.00
36	January 1, 2004 – 2.7		\$595.00
		December 1, 2004 Pre September 8, 1980 Member January 1, 2004 – 2.7	\$611.07
		Post September 8, 1980 Member	
		Retired January – March 04 2.7%	611.07
		Retired April – June 04 1.8%	605.71
		Retired July – September 04 .3%	596.79
		Retired October – December 04 0%	595.00
37	January 2005		\$616.00

7. Add the following rates to Table 61-1.

Date of Increase	Percent	Amount
December 1, 2003	2.1	\$192.32
December 1, 2004	2.7	\$197.51

8. Revise Appendix M, Total Earnings Table, by adding the following:

<u>Year of Retirement</u>	<u>Maximum Pay By Social Security</u>
“2005	\$90,000”

**9. Revise Appendix U, Averaged Monthly Consumer Price Index (CPI-W), by adding the following:**

1 <sup>st</sup> Qtr	FY 04	2 <sup>nd</sup> Qtr	FY 04	3 <sup>rd</sup> Qtr	FY 04	4 <sup>th</sup> Qtr	FY 04
4 <sup>th</sup> Qtr	CY 03	1 <sup>st</sup> Qtr	CY 04	2 <sup>nd</sup> Qtr	CY 04	3 <sup>rd</sup> Qtr	CY 04
Oct 03	180.8	Jan 04	180.8	Apr 04	183.5	Jul 04	184.9
Nov 03	180.2	Feb 04	181.9	May 04	184.7	Aug04	185.0
Dec 03	179.9	Mar 04	182.9	Jun 04	185.3	Sep 04	185.4
AVG CPI	180.3	AVG CPI	181.9	AVG CPI	184.5	AVG CPI	185.1

**10. Add the following to the bibliography:****Paragraph****Citation**

080498

OSD (FMP)(MPP) Comp Memo, December 2, 2004